

806 KAR 5:020. Illegitimate use of reinsurance agreements.

RELATES TO: KRS 304.5-130, 304.5-140, 304.11-010-304.11-050, 304.24-420

STATUTORY AUTHORITY: KRS 304.2-110

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.5-130 defines "reinsurance;" KRS 304.5-140 prescribes the limitations placed on an insurer in its reinsurance transactions; KRS 304.11-010 to 304.11-050 are the statutes relating to unauthorized insurers; and KRS 304.24-420 prescribes the requirements for bulk reinsurance. the function of this administrative regulation is to preclude the illegitimate use of reinsurance agreements that would, in effect, permit an authorized company to "front" for a company unauthorized to transact the business of insurance in the Commonwealth.

Section 1. The term "reinsurance" as used in the insurance code contemplates that the ceding insurer be a company authorized to do business in Kentucky, and that a ceding to an unauthorized insurer shall not be in any way for the purpose of fronting for the unauthorized reinsurer.

Section 2. No authorized insurer shall knowingly reinsure any unauthorized insurer in whole or in part as to property and casualty policies which principally contemplate performance in Kentucky, or as to such policies the principal subjects of risk of which are located in Kentucky.

Section 3. The act of an authorized insurer in ceding reinsurance to or assuming reinsurance from an unauthorized insurer in violation of Sections 1 and 2 of this administrative regulation, particularly when written at rates and upon forms which have not been filed with and approved by this office, shall be deemed a cause for revocation of the certificate of authority of the ceding insurer. (I-5.02; 1 Ky.R. 1074; eff. 7-2-75; TAm eff. 8-9-2007.)